

Air Service Development Council
Meeting of the Council
Public Session
November 18, 2016

The Air Service Development Council ("the Council"), a child organization of the Rhode Island Commerce Corporation (the "Corporation") met on November 18, 2016, in Public Session, beginning at 5:00PM at the offices of the Corporation, located at 315 Iron Horse Way, Suite 101, Providence, RI 02908, pursuant to the public notice of meeting, a copy of which is attached hereto as Exhibit A, as required by applicable Rhode Island law.

The following council members were present and participated throughout the meeting as indicated: Secretary of Commerce Stefan Pryor, Martha Sheridan, Carol Grant, and Janet Raymond.

Council members absent were: Cheryl Johnson.

Also present were: Nicholas Autiello, Jesse Saglio, and Hannah Abelow.

1. CALL TO ORDER

The Chairman of the Council, Secretary Pryor, called the meeting to order at 9:18 a.m. indicating that a quorum was present.

2. OPENING REMARKS

Secretary Pryor welcomed the members of the council to the first meeting of the body and thanked the members for their service. He presented an overview to the members of what air service currently operates from TF Green, how the Air Service Development Fund will work in relation to the Rhode Island Airport Corporation's ("RIAC") air service development efforts.

3. DISCUSSION ON ORGANIZATION OF THE COUNCIL

Ms. Grant asked if RIAC could appear before the Council to do a presentation on the current state of the airport and what they are doing to develop the market. Secretary Pryor indicated that we would get full guidance on how RIAC officials can interact with the council, given FAA regulations, and that at the next meeting there would be a presentation on RIAC's efforts to develop the market.

Secretary Pryor also indicated that the council would be meeting on a quarterly basis. Mr. Autiello said he would circulate proposed meeting dates for 2017 to Council members.

4. TO CONSIDER FOR APPROVAL CRITERIA FOR AWARDS UNDER THE AIR SERVICE DEVELOPMENT COUNCIL

Mr. Autiello took the Council through each point of the criteria under which the council will make decisions, attached hereto as Exhibit B. Council members made several requests for revisions to the text, which are reflected in the motion below.

Ms. Grant pointed out that the importance of looking at all possible ways increased air service can impact economic development, as an example if expansion of the Naval Station in Newport were to take place, support for a flight might be warranted. Ms. Raymond asked where the incentives this Council could award factored into the incentives RIAC can give an airline. Mr. Autiello explained that a potential deal would only come before the Council if, after RIAC has structured a deal with an airline, there remains a financing gap that must be filled in order to attract the new service to PVD. Ms. Grant asked whether our award was contingent upon any approval that might have to go through RIAC's board. Mr. Saglio explained that awards from the Council are intended to be "but for" awards to fill a financing gap, and that RIAC incentives and Council incentives would be approved separately.

Upon motion duly made by Ms. Grant and seconded by Ms. Raymond, the following vote was adopted:

VOTED: To amend the proposed criteria with the following modifications:

Section A (i) - to replace the sentence "The lengths of the commitment in terms of years of service may be taken into account" with "the length and nature of the Carrier's commitment may be taken into account."

Section A(3)iii – strike.

Section C – replace the title of the section, "Recommendation", with "Determination".

Section D - replace a capital F with a lowercase f in the word 'financial' in subsection 1.

Voting in favor of the foregoing were: Ms. Grant, Ms. Raymond, and Ms. Sheridan.

Voting against the foregoing were: None.

A copy of the amended criteria is attached as Exhibit C.

There being no further business in Public Session, the meeting was adjourned by unanimous consent at 9:58 a.m., upon motion made by Ms. Sheridan and seconded by Ms. Raymond.

EXHIBIT A

AIR SERVICE DEVELOPMENT COUNCIL

PUBLIC MEETING NOTICE

A meeting of the Air Service Development Council will be held at the Rhode Island Commerce Corporation, 315 Iron Horse Way, Providence, RI 02908 on Friday, November 18, 2016 at 9:00 AM for the following purposes:

1. Call Meeting to Order
2. Welcome remarks, Chairman and Secretary of Commerce Stefan Pryor
3. Discussion on organization of the Council
4. To consider for approval criteria for awards under the Air Service Development Fund.
5. Adjournment

This notice shall be posted at the office of the Rhode Island Commerce Corporation, at the State House, and by electronic filing with the Secretary of State's office.

This location is accessible to the handicapped. Those requiring interpreted services for the hearing impaired must notify the Rhode Island Commerce Corporation at 278-9100 forty-eight (48) hours in advanced of the meeting. Also for the hearing impaired, assisted listening devices are available onsite, without notice, at this location.

Posted: November 15, 2016

Contact: Nicholas Autiello, 401-222-5047

EXHIBIT B

Air Service Development Fund

Proposal Evaluation Principles

The Rhode Island Commerce Corporation (the “Corporation”), pursuant to the Air Service Development Fund Act (the “Act”), R.I. Gen. Laws § 42-64.32 *et seq.*, may provide financial incentives, revenue guarantees, and/or other support (“Incentives”) to scheduled air carriers and/or cargo carriers (“Carriers”) to incentivize new or additional air service and/or new or additional routes to and from T.F. Green Airport. The Corporation has established the Air Service Development Council (“Council”) in order to evaluate proposals and, where appropriate, approve Incentives for increased service. The Council has established these principles (the “Principles”) to set forth the criteria it will use in evaluating Incentive proposals, *see* R.I. Gen. Laws § 42-64.32-3(d); to further the program integrity goals of the Act, namely, to ensure compliance with the terms and conditions of the Act, to safeguard the expenditure of public funds, and to ensure that the award of Incentives furthers the objectives of the Air Service Development Fund, *see* R.I. Gen. Laws § 42-64.32-4; and to establish accountability standards, risk analysis standards, and program objectives in accordance with the Corporation’s enabling law, *see* R.I. Gen. Laws § 42-64-36.

These Principles do not create any legal rights, duties, obligations, or defenses, implied or otherwise, for any person or negate the Corporation’s or the Council’s discretion under the Act

Notwithstanding anything contained in these Principles to the contrary, the Corporation and the Council shall have and may exercise all general powers and discretion set forth in the Act as necessary or convenient to effect its purposes. These Principles are effective as of November 18, 2016 and shall remain in effect until such time as they are amended, superseded, or repealed.

A. Evaluation Criteria

The Council will judge proposals based on the following criteria:

1. Increase in Service. The Council will assess whether, based on the information as presented and any additional information that the Council may require, the new or additional flight commitment from a Carrier in exchange for the Incentive represents an increase in commercial passenger or cargo service, as represented by a new route or a substantial increase in current service. The length of the commitment in terms of years of service may be taken into account. *See* RIGL §42-64.32-3.
2. Financial Assumptions and Implications. Corporation staff will evaluate and the Council will consider the Carrier’s financial assumptions and implications for the route and market conditions that necessitate provision of an incentive.
3. Route. The Council will consider the strategic priority of the proposed route according to the following guidelines:
 - i. Support of Statewide Economic Goals. Consideration will be given to the potential positive impact on the overall economic climate of the state, business attraction,

tourism, growth of advanced industries characterized by those with high level of research and development expenditures and reliance on science, technology, design, engineering, and mathematics, and overall job growth.

- ii. Support of Advanced Industries. A goal of the Corporation is to directly and indirectly support the growth of advanced industries in the state. As such, consideration will be given to the potential impact of the granting of Incentives on industries characterized by high levels of research and development expenditures and reliance on science, technology, design, engineering, and mathematics.
 - iii. Type of Service. A goal of the Corporation is to help spur economic activity across several development categories that, when combined, support a dynamic economy that is positioned for long-term growth.
 - iv. Amount of Incentive. Giving consideration to the scarcity of taxpayer resources and the desire to achieve a balanced development outcome, the Council will seek to deploy Incentives in a manner so as to attempt to maximize their overall economic impact.
 - v. Leveraging of Other Sources of Funds. Giving consideration to the scarcity of taxpayer resources and the desire to access all additional appropriate sources of capital to support economic development goals, the Council will consider the degree to which the other sources of public, quasi-public and/or private capital are leveraged, and the degree to which the granting of such Incentives encourages and enhances further public, quasi-public or private capital development opportunities.
 - vi. Other Societal Benefits. Consideration may be given to any other societal benefits that may result from the Incentives that are not otherwise captured in other factors considered in these Principles.
4. Economic Impact. Corporation staff will provide the Council with an economic impact analysis of the increased service for the Council to consider and will at a minimum consider the 1) number of jobs, direct and indirect, to be created by the increase in service, and 2) the revenue impact to the State of the increased service.

B. Risk Assessment

The Corporation staff will perform and the Council will consider an analysis and assessment of the risks related to the proposed Incentives. This analysis will include, collectively, the following considerations, among any others deemed relevant by the Council:

- 1. Execution Risk. This factor considers, among other things:

- i. The qualifications and experience of the Carrier, including an assessment of the Carrier's experience, track record, good standing, and general likeliness to effectively operate the routes; and
 - ii. The general financial condition of the Carrier.
2. Market Factors. This factor considers, among other things:
 - i. The Carrier's proposed city pairing(s),
 - ii. Reasonable evidence of market conditions necessitating provision of the incentive; and
 - iii. The potential to mitigate changes in the cost of operating the route.
3. Structure. This factor considers, among other things:
 - i. The form of incentive, whether direct cash incentive, revenue guarantee, or other form,
 - ii. The duration of the incentive; and
 - iii. A maximum financial exposure of the Corporation under an agreement with a Carrier, not to exceed the uncommitted balance of the Fund.

C. Recommendation

Based upon the above factors, the Council will make a determination, in its sole discretion, whether to award Incentives. Staff will make written and verbal presentations of recommended Incentive transactions to the Council. Such recommendations will be based on an assessment of the project's impact and risk, if any, to the Corporation, the state, or taxpayers.

D. Carrier Performance

The Council shall enter into an incentive agreement ("Incentive Agreement") with the Carrier prior to the provision of any funding. The Incentive Agreement shall require the following performance measures, at a minimum, among others:

1. Monthly and annual Financial performance of the route, data detailing the projected vs. actual utilization of the route, and the origin and destination of passengers utilizing the route.
2. A provision for audit rights for relevant records.

EXHIBIT C

Air Service Development Fund

Proposal Evaluation Principles (AS AMENDED)

The Rhode Island Commerce Corporation (the "Corporation"), pursuant to the Air Service Development Fund Act (the "Act"), R.I. Gen. Laws § 42-64.32 *et seq.*, may provide financial incentives, revenue guarantees, and/or other support ("Incentives") to scheduled air carriers and/or cargo carriers ("Carriers") to incentivize new or additional air service and/or new or additional routes to and from T.F. Green Airport. The Corporation has established the Air Service Development Council ("Council") in order to evaluate proposals and, where appropriate, approve Incentives for increased service. The Council has established these principles (the "Principles") to set forth the criteria it will use in evaluating Incentive proposals, *see* R.I. Gen. Laws § 42-64.32-3(d); to further the program integrity goals of the Act, namely, to ensure compliance with the terms and conditions of the Act, to safeguard the expenditure of public funds, and to ensure that the award of Incentives furthers the objectives of the Air Service Development Fund, *see* R.I. Gen. Laws § 42-64.32-4; and to establish accountability standards, risk analysis standards, and program objectives in accordance with the Corporation's enabling law, *see* R.I. Gen. Laws § 42-64-36.

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E. Evaluation Criteria

The Council will judge proposals based on the following criteria:

5. Increase in Service. The Council will assess whether, based on the information as presented and any additional information that the Council may require, the new or additional flight commitment from a Carrier in exchange for the Incentive represents an increase in commercial passenger or cargo service, as represented by a new route or a substantial increase in current service. The length of the commitment in terms of years of service may be taken into account. *See* RIGL §42-64.32-3.
6. Financial Assumptions and Implications. Corporation staff will evaluate and the Council will consider the Carrier's financial assumptions and implications for the route and market conditions that necessitate provision of an incentive.

Among the additional criteria the Council may consider are:

7. Route. The Council will consider the strategic priority of the proposed route according to the following guidelines:

- vii. Support of Statewide Economic Goals. Consideration will be given to the potential positive impact on the overall economic climate of the state, business attraction, tourism, growth of advanced industries characterized by those with high level of research and development expenditures and reliance on science, technology, design, engineering, and mathematics, and overall job growth.
- viii. Type of Service. A goal of the Corporation is to help spur economic activity across several development categories that, when combined, support a dynamic economy that is positioned for long-term growth.
- ix. Amount of Incentive. Giving consideration to the scarcity of taxpayer resources and the desire to achieve a balanced development outcome, the Council will seek to deploy Incentives in a manner so as to attempt to maximize their overall economic impact.
- x. Leveraging of Other Sources of Funds. Giving consideration to the scarcity of taxpayer resources and the desire to access all additional appropriate sources of capital to support economic development goals, the Council will consider the degree to which the other sources of public, quasi-public and/or private capital are leveraged, and the degree to which the granting of such Incentives encourages and enhances further public, quasi-public or private capital development opportunities.
- xi. Other Societal Benefits. Consideration may be given to any other societal benefits that may result from the Incentives that are not otherwise captured in other factors considered in these Principles.

8. Economic Impact. Corporation staff will provide the Council with an economic impact analysis of the increased service for the Council to consider and will at a minimum consider the 1) number of jobs, direct and indirect, to be created by the increase in service, and 2) the revenue impact to the State of the increased service.

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- 4. A provision for audit rights for relevant records.